Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

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Discounters—including Eugene O'Donnell, Hills; Julian Seeherman, Venture; Robert Soelter, ALCO; Malcolm L. Sherman, Zayre, and David Glass, Wal-Mart (pictured left to right)—are bullish on 1985 second-half sales.

Chain Prexies Eye Solid Biz Gains

Nationwide DSN Report

The nation's largest discounters are projecting double-digit sales gains through the rest of the year despite the sluggish economy.

Chain presidents stressed to *DSN* their commitments to strong open-to-buys, store expansion and remodeling programs, while keeping a closer eye on inventory build-ups in order to avoid a repeat of last Christmas's overbuy-in.

Looking ahead to this Christmas, discounters expect their advertising wars will begin about a week before Thanksgiving because of six fewer shopping days in the traditional holiday selling season.

Despite the anticipated intense promotional period, top executives at Wal-Mart, Zayre and Ames expressed optimism about the upcoming second-half's performance prospects. Zayre Stores president Malcolm L. Sherman noted that "major economic indicators, such as consumer confidence and retail sales, are moving within narrow ranges, and we see no reason for any extreme changes to occur. I'm not yet predicting the next recession."

Supporting that optimism, Wal-Mart targets 8% same-store sales gains for 1985, Pamida 12%, and Ames has been running 16% into early April.

For the most part, top discount chain executives anticipate their greatest growth in 1985 will occur in consumer electronics, and to a lesser degree, ladies' ready-to-wear and small appliances because these are the few current merchandise areas experiencing rapid product evolution.

Thus, many agreed this will be a back-to-basics second half, particularly during Christmas, in most departments. By that, chain officials indicated there was a dearth of exciting new products to stimulate consumer interest.

(Continued on page 182)

Herman's Successfully Makes 1st Stock Offering

NEW YORK — W. R. Grace's Herman's, the nation's largest specialty sporting goods and sports apparel chain, has successfully made its first public stock offering. It resulted in the sale of 4.6 million shares, 600,000 more than originally offered in an earlier prospectus filed in November 1983.

Herman's is the second retail operation wholly owned by Grace to be taken public. Last year, 27% of El Torito, a chain of 125 Mexican restaurants, went the same route. In both offerings of its retail subsidiaries, Grace retained majority control.

About $76 million was raised by Grace and Herman's, with the proceeds to fund several different programs. Of the total shares offered, at $16.50 each, 1.3 million were sold by Her-

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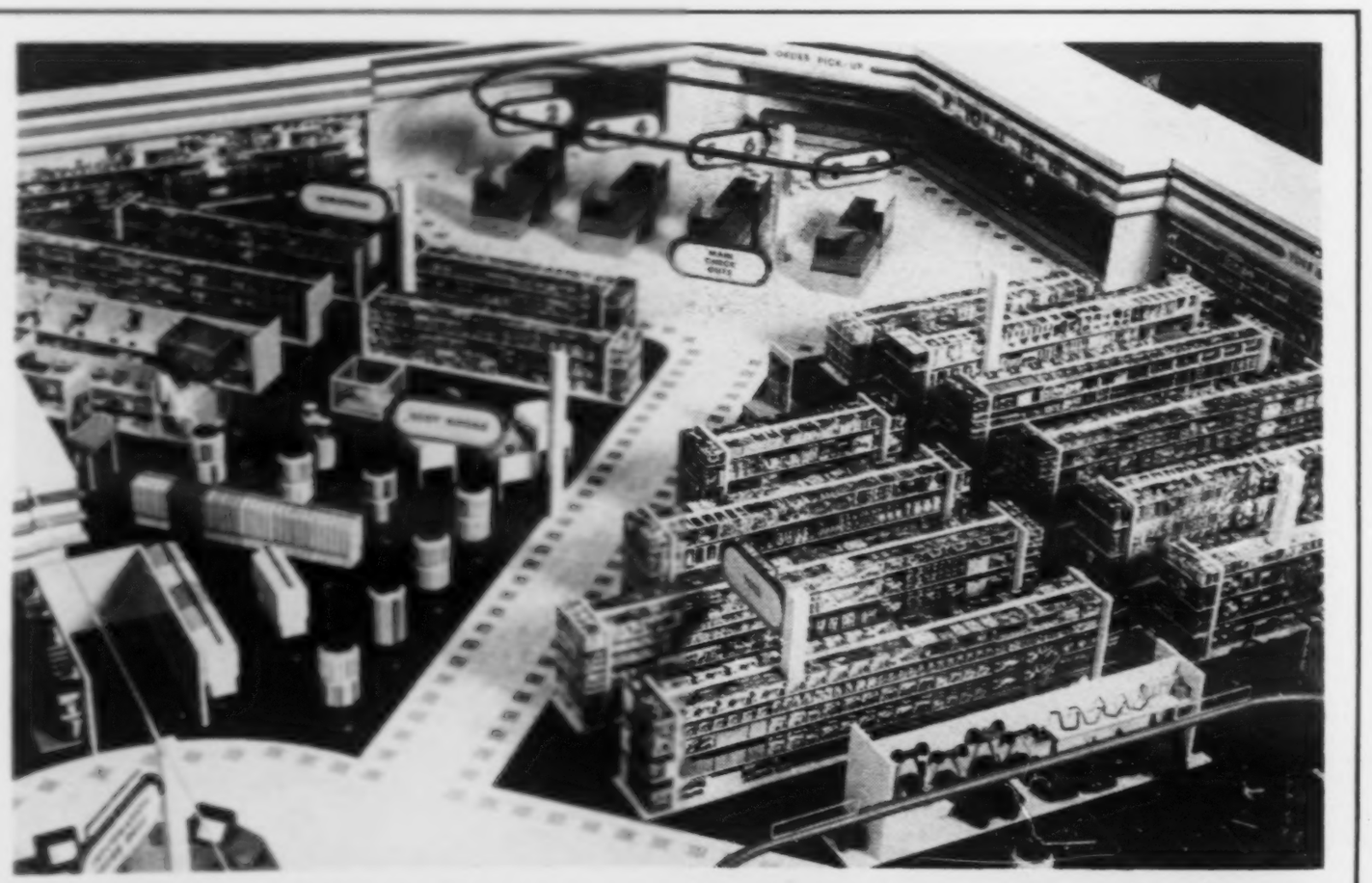
IN BRIEF

• **LUSKIN'S IS THE LATEST CONSUMER ELECTRONICS** chain to go public. The 30-unit, Baltimore-based firm filed for an initial public offering of 1.35 million shares of common stock. The anticipated price range is $15-$18 per share; the proceeds will be used to finance future expansion.

• **MAX. S. DANNER, CHAIRMAN AND CEO OF DANNERS** Inc., died of a heart attack. The 59-year-old nephew of Danners founder Forest Danner joined the company as a stock boy in 1940, was appointed president in 1962 and was elected chairman and ceo in 1974.



Best to Doll Up For Bigger Impulse Sales

Best Products will spend $90 million this year for a new showroom look (partially shown in mockup) to boost impulse sales, particularly of higher-margin items. See story, p. 2.

Convention Highlight

"The American public pays a hidden price tag for protectionism because the cost of quotas, duties, tariffs . . . is built into the price of the product."—William Andres, chairman, Dayton Hudson. Andres and Congressman Bill Frenzel will discuss pending Federal trade restrictions at the annual NMRI convention. (Story, p. 54.)

Annual NMRI Convention: See Special Section, Pp. 17-134

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MARKETING

Discounters' Housewares Sales Lead Widens

CHICAGO — Discounters have grabbed a heftier portion of the housewares business than ever before, leaping eight percentage points in 1984 to 38% of the industry's total of $24.6 billion.

Including catalog showrooms' 9% share, discounting segments comprised 47%—almost half—ofmanufacturers' total 1984 sales to wholesale and retail outlets, according to a recent report from the National Housewares Manufacturers Association.

This is, in fact, the highest percentage recorded for the discount trade in the study's 18-year history.

While 1984 industry sales registered a gain of almost 10% over 1983's $22.4 billion, the Gross National Product rose only 6.8% during the same period, the report points out, underlining how the housewares industry outperformed the nation's economy once again. In 1983, the industry experienced a 12% increase over the previous year—from $20 billion to $22.4 billion.

Upswing Noted

Department stores also improved their share of the housewares business last year, with a 10% share, or $2.5 billion, reflecting a two-percentage-point increase over 1983. The catalogers' 9%, meantime, marked no change from the previous year.

Market segments that dropped in their housewares market shares included housewares and hardware stores, down two points, variety stores, also down two, and mail-order companies, off one.

The strongest housewares merchandise category, the study stated, continued to be electrics, comprising 33% of manufacturer sales or approximately $8.5 billion. This marked a two-point slip from 1983's 35%. However, the percentage of housewares manufacturers in the electrics business was 11%, second to the decorative accessories classification's 12%.

Decorative accessories sales-wise, however, tied for the No. 2 spot along with cookware and bakeware—both at 10% or $2.5 billion in sales.

In third place, with 8% of the total volume or $2 billion, was serving and buffet products and accessories—including dinnerware, cutlery and flatware.

Interestingly, this was the first year the study separated cookware and bakeware sales, discovering cookware accounted for 8% of sales while the latter comprised

(Continued on page 130)

Mfrs.' Housewares Sales by Outlet
(Per cent of Total Dollar Sales)

Type of Outlet	1984	1983	1981	1976
Mass Merchandisers	38	30	28	20
Department Stores	10	8	11	7
Catalog Showrooms	9	9	10	6
Food Stores	7	6	6	5
Drug Stores	5	5	6	4
Housewares/ Hardware Stores	3	5	4	5
Variety Stores	2	4	5	6
Mail Order	2	3	2	4
Home Centers	2	2	2	2
Buying Syndicates	1	1	1	1
Other Retail	4	6	5	6
Wholesale Outlets	17	21	20	34

Source: 18th annual NHMA study

Housewares Manufacturers' Sales

	Sales (in thousands)	% Change Over Previous Year
1974	$ 9,642,000	+11
1975	9,702,000	+ 1
1976	10,963,000	+13
1977	11,885,000	+ 8
1978	13,479,000	+13
1979	15,579,000	+16
1980	17,484,000	+11
1981	19,075,000	+ 9
1982	20,086,000	+ 5
1983	22,401,000	+12
1984	24,581,000	+10

Source: 18th annual NHMA study

No matter how your customers cover windows, Kenney's got you covered.

Practical Pam . . . nouveau Norman . . . thrifty Thelma. Bring on the choosiest customers. The more diverse and demanding they are, the more they'll be pleased by the complete Kenney collection of window fashions. The same Kenney products that are proven sellers in the nation's top department stores.

Over 3,000 SKU's of drapery hardware, shades, vertical, pleated, wood and mini blinds and the sensational new micro blinds — in a whole range of colors and materials. If it's made, it's made better by Kenney.

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Phone (212) 689-4804 (4805)

Factory & Executive Offices
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Phone (800) 556-6531

NHMA Study

Foreign Foes Bug Housewares Mfrs. the Most

CHICAGO — The overriding issue concerning housewares manufacturers is the impact of foreign competition.

Concern over "changes in the competitive mix," reached its highest level in recent years, as 45% of participants in a recent National Housewares Manufacturers Association study mentioned it.

The report tracks this issue from 1983, when it was mentioned by 26% of these polled, to 1984 when 32% pointed to foreign competition, to its current level.

"The problem we face . . . is the unfair overseas competition, especially from the Orient. We innovate, design, go to the expense of costly marketing and then our products are knocked off," stated one housewares manufacturer.

"What happens is not competition. The Taiwanese do not have the same cost factors. Something has to be done to support and buy American," he insisted.

Other manufacturers noted the margin erosion problem caused by foreign companies when they come into the U.S. marketplace "only for a quick dollar."

Another respondent claimed product credibility of homemade goods was affected when offshore products are inferior in quality.

While this issue rose in importance among the group, there was a sharp decline in economic worries for 1985. Only 11% of those polled cited "economic outlook/tight money/recession" as a prime concern for 1985, compared to 24% in 1983 and 15% in 1984.

Changing Attitudes

Other manufacturer problems which also declined in importance for 1985 included "changes in retailers' buying/inventory attitudes"—from 15% in 1984 to 13% in 1985—and difficulties concerning "collections/accounts receivable" from 23% in 1983, to 11% in 1984 to 8% for this year.

One issue that is on manufacturers' minds each year is potential price increases. According to the study, however, only 2% of the manufacturers involved in the study stated 1984 prices were raised by 10% or more; 3% anticipated such increases for 1985.

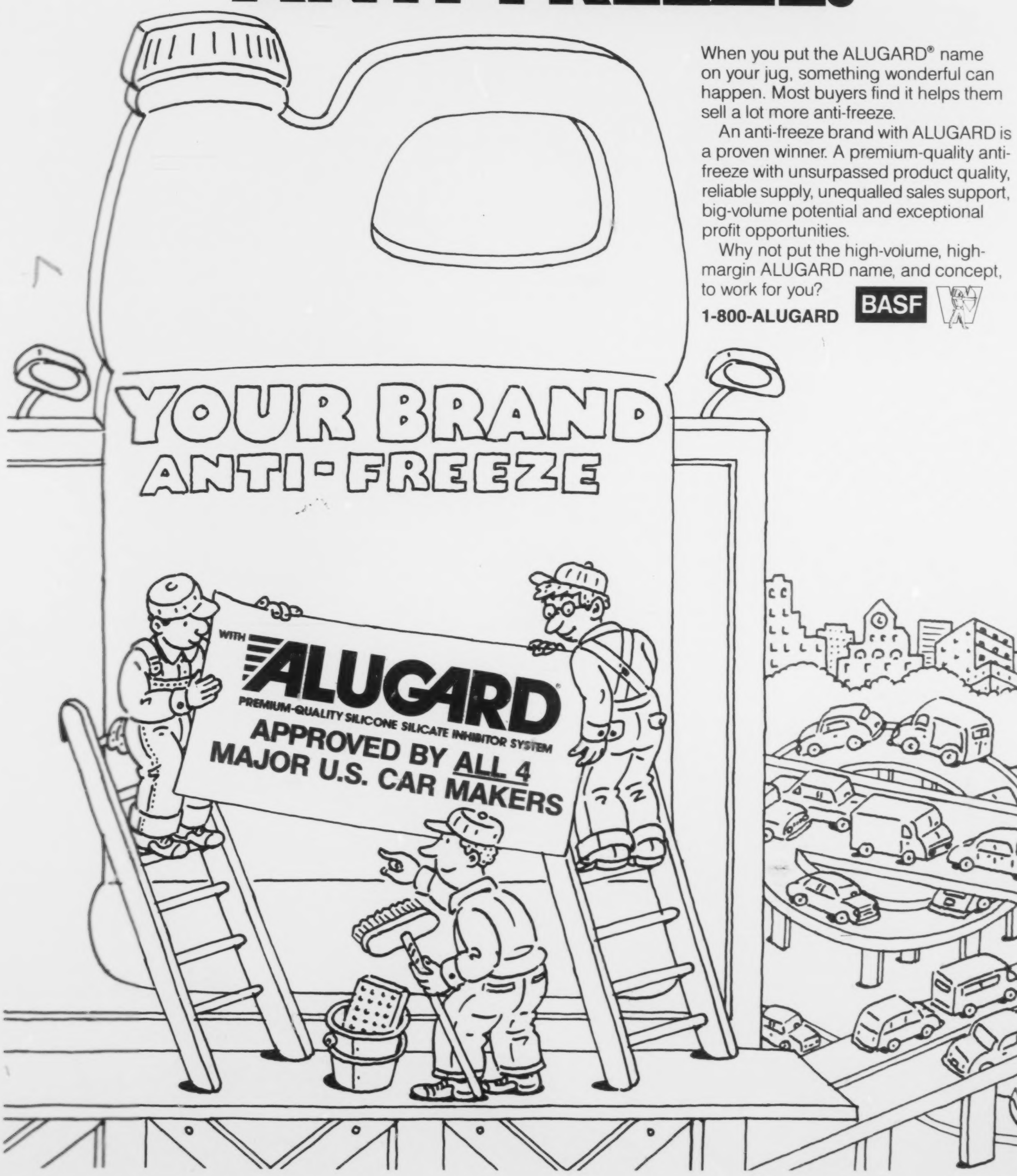
In fact, 64% of the housewares producers said they did not hike prices in 1984. However, 54% did not anticipate increases for 1985.

The key reason cited for increasing housewares prices in 1984 and 1985 was higher material costs. The next two most important reasons were high labor and overhead expenses.

The study indicated a significant increase in the number of people pointing to "higher overhead costs," as a pricing factor. It was mentioned by 30% in 1985 vs. 17% the prior year.

Another interesting fact the research report revealed was a slight increase in the number of companies with sales under $1 million in 1984, while the number of producers with sales exceeding $5 million declined slightly. The report suggested a possible resurgence of the small entrepreneur within the industry.

This "little guy" has to compete with foreigners as well as large domestic companies. "Increased competition from manufacturers with larger assets who are able to advertise on a national basis," was the chief concern for one of these entrepreneurs.


HOW TO SELL MORE ANTI-FREEZE:
When you put the ALUGARD® name on your jug, something wonderful can happen. Most buyers find it helps them sell a lot more anti-freeze.
An anti-freeze brand with ALUGARD is a proven winner. A premium-quality anti-freeze with unsurpassed product quality, reliable supply, unequalled sales support, big-volume potential and exceptional profit opportunities.
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PREMIUM-QUALITY SILICONE SILICATE INHIBITOR SYSTEM
APPROVED BY ALL 4 MAJOR U.S. CAR MAKERS

Wider Lead

(Continued from page 127)

2%.

Likewise, the report also broke out bath and closet accessories for the first time. Closet accessories was markedly less significant in terms of sales and the proportion of manufacturers involved in it than bath goods.

In the 1984 study, white remained the leading color preference in each of the five categories analyzed: bath accessories, closet accessories, kitchen appliances, outdoor products and accessories and serving and buffet products.

However, manufacturers polled in the report mentioned primary colors such as blue, yellow and red more often than in previous years.

In both accessories blue remained the second leading shade while brown dropped from 1983's 10% to less than 5% in 1984. However, brown was quoted as the second most popular closet accessory color, with a 17% vote among producers polled, significantly behind top-selling white's 47%.

Narrowing the Gap

In kitchen appliances and accessories, almond followed white very closely as the second best-seller, with white mentioned by 42% of the respondents and almond cited by 41%.

The color forecast for 1985 indicates a leveling off in some areas of 1984's dominating white trend.

The report was conducted for the association by B. Angell & Associates, an independent market research firm. The results are based on responses from 578 housewares manufacturers from a mail-in questionnaire, representing 32% of the 1,807 exhibitors at the 1984 spring and fall NHMA International Housewares Exposition.

ADVERTISING

Leading Chains' Expenditures Rose a Third or More

Spot TV Use by Full-line Discounters Soared in '84

NEW YORK — Spot television advertising expenditures by leading full-line discount department stores soared last year, increasing by about a third or more at Wal-Mart, Zayre, Hills, Venture, Bradlees and K mart.

Target and Roses recorded lesser but still substantial gains in spot spending, according to figures from the Television Bureau of Advertising (TvB).

The group does not include K mart in its chart of leading discounter and cataloger spot spenders, listing the industry's giant in a separate grouping with Sears, Penney and Montgomery Ward (see "Big Four" table).

Adding It Up

With K mart's 43% spot spending jump added to the others, however, the total for the group last year grew 13% to $83,898,200 from $74,020,300 in 1983.

Without the Troy, Mich.-based K mart, TvB measured spot spending for the companies listed increased 9% to $70,992,000.

While most discounters registered strong gains led by the K mart increase, plus Wal-Mart's 45% spot spending growth to $11,836,800, Bradlees' 37% pickup to $2,474,300, and Zayre's 36% jump to $7,429,200, the two catalogers on the list both cut spot spending considerably.

Best Products' expenditures fell the most proportionately, slipping 36% from their 1983 level to $2,190,000 last year. Service Merchandise's spot spending dropped 20%, but from a much larger $5,862,800 base, totaling $4,713,100 for the latest year.

Other large declines in spot spending were reported for both Meijer's and Fred Meyer, 40% and 27%, respectively. In both instances, however, comparison with earlier TvB reports (not shown) reveals 1984 spending to be in line with that of earlier years' and the drop as coming off large 1983 gains. In Meijer's case that was a 63% increase over the year before.

Aside from K mart, the discount segment leader in spot spending for 1984 was Target whose 18% gain brought its total to $12,731,600. In 1983 Target led all discounters, including K mart, in spot television advertising expenditures with an outlay of $10,754,800.

Little Change

Spot expenditures in single markets by the discounters' top spenders showed little of the marked change reflected in the overall numbers.

While Smitty's outlays in Phoenix soared 141%, a spokesman for the chain said that only about 25% of the increase was for advertising general merchandise operations. The bulk was for food advertising.

The leading spot spender in a single market remained Gemco, with $2,676,600 spent in its Los Angeles home territory. Gemco's Los Angeles spending has, however, been on the decline for several years, falling 11% last year and 7% the year before. The dollars earmarked for a Los Angeles spot have also declined as a percentage of the chain's total spot spending: In 1984, 46% of the total went into the Los Angeles pot. In 1983, the figure was 53% and in 1982, 51%.

Rounding up last year's single market spot expenditures by the top discounters shows a considerable amount more money spent in Los Angeles than anywhere else. Making the list for their Los Angeles area spending besides Gemco, were Target and Zodys.

A Closer Look

Together the three spent $7,415,100 in Los Angeles television advertising in 1984, a slight total gain over the $7,158,000 the combo expended the year before. Zodys increased spending in the market was actually considerable, a 19% pickup to $2,200,400.

One last large change the TvB figures show is Wal-Mart's launch of heavy spot spending in the Houston market in 1984 with an outlay of $1,509,100.

Top Discount Department Store Spot TV Advertisers in a Single Market*

Chain	1983	1984	% Change
Gemco, Los Angeles	$3,003,600	$2,676,600	− 11
Fortunoff, New York	2,480,600	2,545,500	+ 3
Target, Los Angeles	2,305,500	2,538,100	+ 10
Fred Meyer, Portland	2,791,700	2,468,200	− 12
Zodys, Los Angeles	1,848,900	2,200,400	+ 19
Venture, Chicago	1,644,200	1,858,100	+ 13
Smitty's, Phoenix	765,700	1,841,600	+141
Zayre, Boston	1,513,900	1,630,300	+ 8
Wal-Mart, Houston	0	1,509,100	+ Inf
Wal-Mart, Dallas	1,493,300	1,409,700	− 6

Most co-op activity is credited by BAR to the manufacturer and is not included in the above advertisers' data

Source: Television Bureau of Advertising from Broadcast Advertisers Reports data

Leading Discounter and Cataloger Spot TV Advertisers*

Chain	1983	1984	% Change
Target	$10,754,800	$12,731,600	+18
Wal-Mart	8,140,600	11,836,800	+45
Zayre	5,470,000	7,429,200	+36
Hills	4,523,700	5,922,100	+31
Gemco	5,653,200	5,472,800	− 3
Service Mdse.	5,862,800	4,713,100	−20
Venture	2,706,900	3,529,700	+30
Fred Meyer	4,586,900	3,361,800	−27
Roses	2,416,800	2,822,300	+17
Fortunoff	2,480,600	2,545,500	+ 3
Bradlees	1,803,400	2,474,300	+37
Zodys	2,205,600	2,285,000	+ 4
Best Products	3,431,600	2,190,100	−36
Richway	1,930,700	1,843,600	− 5
Meijer's	3,064,800	1,834,100	−40

Most co-op activity is credited by BAR to the manufacturer and is not included in the above advertisers' data
Source: Television Bureau of Advertising from Broadcast Advertisers Reports data

Television Advertising Expenditures by the 'Big Four'

Chain	1983 Network	1983 Spot TV	1983 Total TV	1984 Network	1984 Spot TV	1984 Total TV	% Change
Sears	$115,895,600	$17,300,500	$133,196,100	$139,342,700	$19,918,900	$159,261,600	+20
K mart	23,539,300	9,017,900	32,557,200	42,088,300	12,906,200	54,994,500	+69
J. C. Penney	31,857,700	12,506,600	44,364,300	34,029,500	10,411,000	44,440,500	0
Montgomery Ward	33,300	9,289,900	9,323,200	0	10,353,600	10,353,600	+11

Source: Television Bureau of Advertising from Broadcast Advertisers Reports data

Local TV Estimated Expenditures*

Retailers	1983	1984	% Change
Conventional Dept. Stores	$163,585,000	$167,504,100	+ 2
Discount Dept. Stores	79,102,600	92,576,500	+17
Mail Order & Catalog Showrooms	20,940,400	22,046,900	+ 5
Shopping Centers & Assns.	17,580,100	19,593,000	+11
Variety Stores	8,496,700	5,867,300	−45

Does not include co-op activity.
Source: Television Bureau of Advertising from Broadcast Advertisers Reports data in top 75 markets.

K mart, After 1983 Cut, Upped Payout For TV by 69% to $55M in 1984

NEW YORK — After cutting back television expenditures by 18% in 1983, K mart put its money behind last year's image-building and repositioning with a whopping $54,994,500 in total television ad spending, much of it devoted to supporting the Olympics.

The amount represented a 69% increase over television spending the year before and represented the largest proportional increase among the big four retailers as tracked by the Television Bureau of Advertising (TvB).

Furthermore it signalled a change in chain television advertising strategy, since the biggest part of the K mart increase came from an $18,549,000 (79%) jump in network spending.

Spot television expenditures were up a not inconsiderable 43%, but this contributed only $3,888,300 to the total gain.

Among the other national retailers only J. C. Penney failed to make a significant gain in total television spending. While Penney let its money ride in 1984 with almost exactly the same level of spending for both spot and network television advertising, both Sears and Montgomery Ward added to their spending by 20% and 11%, respectively.

Among the group, Sears was by far the biggest television spender with a total outlay of $159,261,600 last year, 87% in network advertising outlays.

Montgomery Ward lags. Total television expenditures by the Mobil-owned retailer totaled $10,353,600. All was for spot.

Specific Retailers' Local-TV Outlay

	1983	1984	% Change
Dayton Hudson	$25,321,700	$30,865,400	+22
Sears	22,864,100	27,816,700	+22
Federated Dept. Stores	24,546,000	26,422,100	+ 8
Lucky Stores	19,673,600	20,117,900	+ 2
May Dept. Stores	15,031,200	18,574,200	+24
Penney	16,255,900	14,169,600	−13
K mart	10,197,700	14,070,500	+38

Source: Television Bureau of Advertising from Broadcast Advertisers Reports data in top 75 markets.

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The "6100 Line" consists of forty-nine of the fastest selling household hardware items. It is targeted at Drug Chains, Supermarkets and Picture Frame departments.

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AT&T OPPORTUNITY CALLING

Total Sales by Merchandise Groups
(In Millions of Dollars)

Category	1980	1990 Existing Trend Continued	1990 The Forecast
Automotive	$352,512	541,346	438,200
Convenience Goods	354,996	444,658	406,400
Electronics	21,957	56,543	80,700
Apparel	99,358	137,476	115,500
Furniture, Home Furnishings	72,227	100,393	100,400
Home-Related goods, Services	92,781	134,996	114,300
Misc. Gen. Mdse.	23,176	33,708	38,900
Recreational Services	43,394	66,887	56,800
All Other Goods, Services	85,762	78,791	82,700

Source: Marketing Science Institute, Cambridge, Mass.

Fast Checkout, Strong In-stock, Broad Mix Seen Survival Keys

CAMBRIDGE, Mass. — Providing consumers with a strong in-stock position of a broad assortment of merchandise and fast checkout service will be the keys to discounters' survival during the next turbulent decade, according to a recent study on retailing marketing trends.

The changing demographic and economic makeup of the American marketplace —smaller families, older consumers and greater interest in savings and investments—means that retailers in general that can "effectively execute a sensible and coherent strategy" will face a bright future.

Turning to discounters, the study, *Future Trends in Retailing*, compiled by the Marketing Science Institute of Cambridge, said:

"Low-margin retailers who provide satisfactory assortments, good in-stock positions and reduce transaction time will flourish. The losers will be low-margin retailers who raise margins while emasculating assortments and front-end service."

Surviving will be a major challenge during the next decade, the study noted, as the growth outlook for the nation's retailers overall is dim; discounters and off-price retailers in particular can expect very limited sales gains during the next few years while growth in virtually every merchandise category—save electronics—will be sluggish.

The study was prepared by three leading observers of the retailing scene: Eleanor G. May, professor of Business Administration at the University of Virginia Graduate School of Business Administration; C. William Ress, founder and chairman of the consulting firm of C. W. Ress & Associates, and Walter J. Salmon, the Stanley Roth Sr. professor of retailing at the Harvard Graduate School of Business Administration.

Their problematical outlook for retailing was underscored by their prediction that the industry's annual growth rate in real dollars through 1990 will be only 2.3%, and will fall short of the nation's gross national product's projected annual 3.1% increase.

The study pegged consumers' shrinking disposable income—which is forecast as falling from the current 63% to 59% by 1990 —as the prime reason for the dull retail picture.

Caught in a Squeeze

Families will continue to be small and typically have only one or two children. They will spend more money on ever-rising housing, utility and medical costs, the study noted. In addition, consumers will be placing more high-interest-earning dollars into savings and investments.

General merchandise stores, in the next five years, are expected to increase their volume from 1980's $126.8 billion to $160 billion in 1990, only a 2.4% a year average increase. In contrast, annual growth in this retail segment from 1967's $85 billion to 1980's volume averaged 4.9%.

The only retailers targeted to fare reasonably well are home furnishings and appliance dealers with an 8.3% a year growth rate in the 10-year period from 1980 to 1990 anticipated. This projection reflects the population's growing interest in the home as a place to express individuality, according to the research, as well as the expected strength in retailing electronics goods.

While the study pointed to "unexciting growth" in almost every merchandise category, it expects electronics will thrive, enjoying a 14% average annual increase through 1990 in constant dollars. However, the study noted that by 1990 the strength will not be in electronics sales per se, but in the large number of computers that will be built into a wide range of products, from cars to watches.

Downturn Reported

Apparel, meanwhile, will be one of the poorest performers. The study pegged the downturn in this important discount store department to the declining teenage population, to an increase in the over-65 age group, and to attitudinal changes, which it contended will lead to a de-emphasis in fashion as a status symbol and a decrease in fads.

With 1980's apparel sales reported at $99.4 billion, the Institute study projected $115.5 billion for 1990, marketing a small average annual 1.6% increase for the decade.

Convenience goods—including food, alcohol, tobacco and health & beauty aids—will not even do that well; 1990's forecasted $406.4 billion reflects a 1.4% a year improvement over 1980's $355 billion.

Several relatively healthy categories are optical goods, expected to rise 5.9% annually, because of the growing senior citizen market and the "shift to glasses as a ward-

(Continued on page 146)

NOTICE TO RETAILERS

Periodically, 3M makes available advertising and promotional materials and allowances for retail items of the Household Products Division. These are available to all retailers regardless of size.

Contact your supplier or 3M representative for details of these allowances, or write to 3M Company, Household Products Division, 3M Center, 223-4S, St. Paul, MN 55144-1000.

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